



ALMA MATER STUDIORUM  
UNIVERSITÀ DI BOLOGNA

# Food scares, information and markets:

## Are consumers and media rational?



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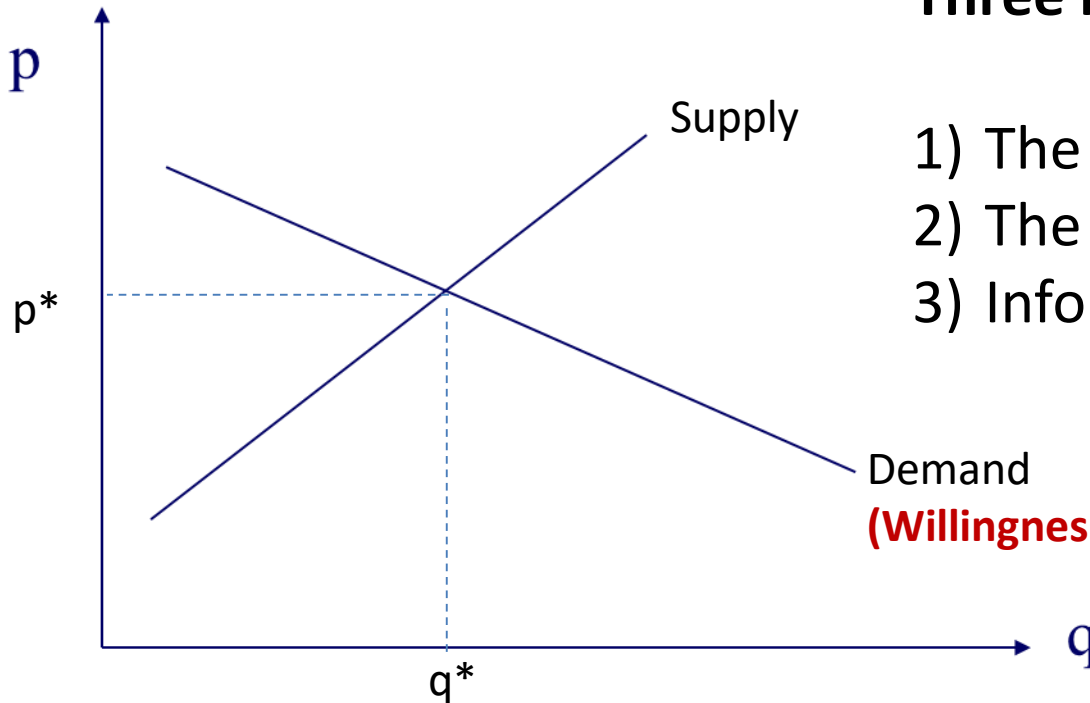
# Key elements

- Background:  
*Food safety, consumers & the market(s)*
- Risk perception during quiet times
- Food scares & consumer response
- Does the «market for information» work?



# Background

## The economics of food safety



### Three markets

- 1) The food
- 2) The level of food safety
- 3) Information on food safety



# Do markets work?

## A few issues with food safety...



### Negative externalities:

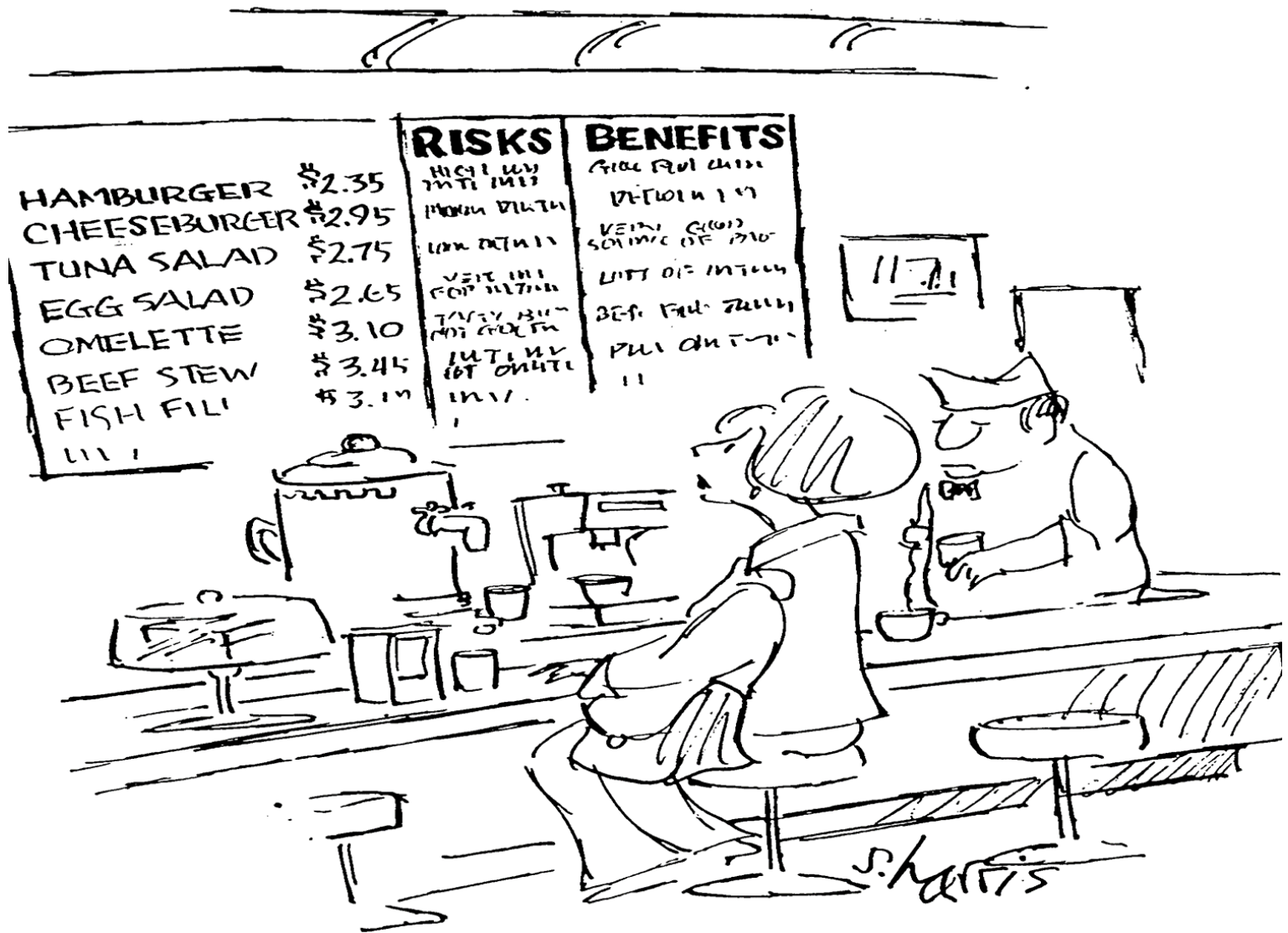
*the effects of producing/selling unsafe foods are not reflected by consumer prices*

### Asymmetric information & moral hazard

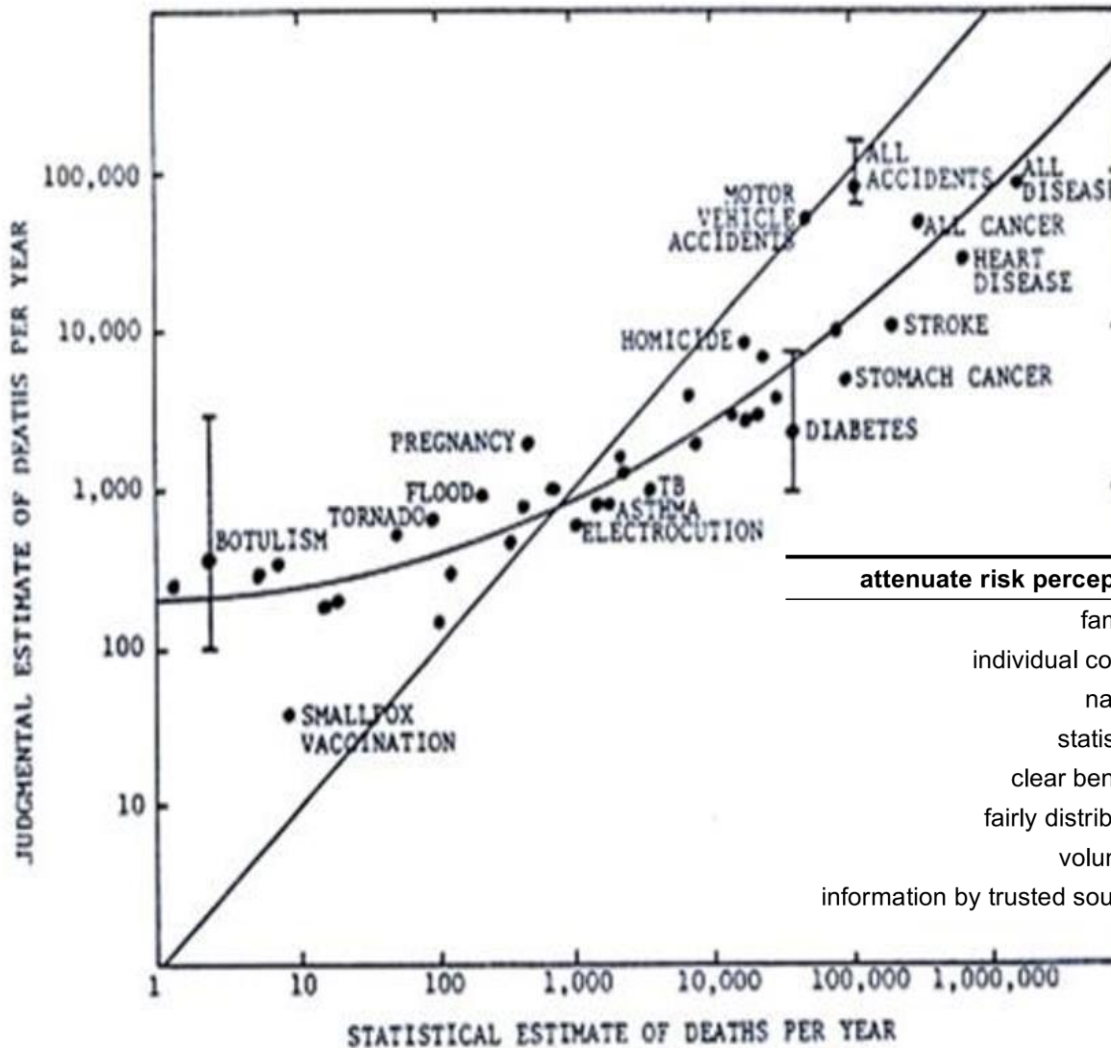
*Do you know the "market for lemons"?*



# Risk perception (& consumer tradeoffs)



# Are consumers rational?



attenuate risk perception	↔	amplify risk perception
familiar	↔	exotic
individual control	↔	controlled by others
natural	↔	manmade
statistical	↔	catastrophic
clear benefits	↔	little or no benefit
fairly distributed	↔	unfairly distributed
voluntary	↔	imposed
information by trusted sources	↔	information by untrusted sources

Schmidt (2004)

Lichtenstein et al. (1978)



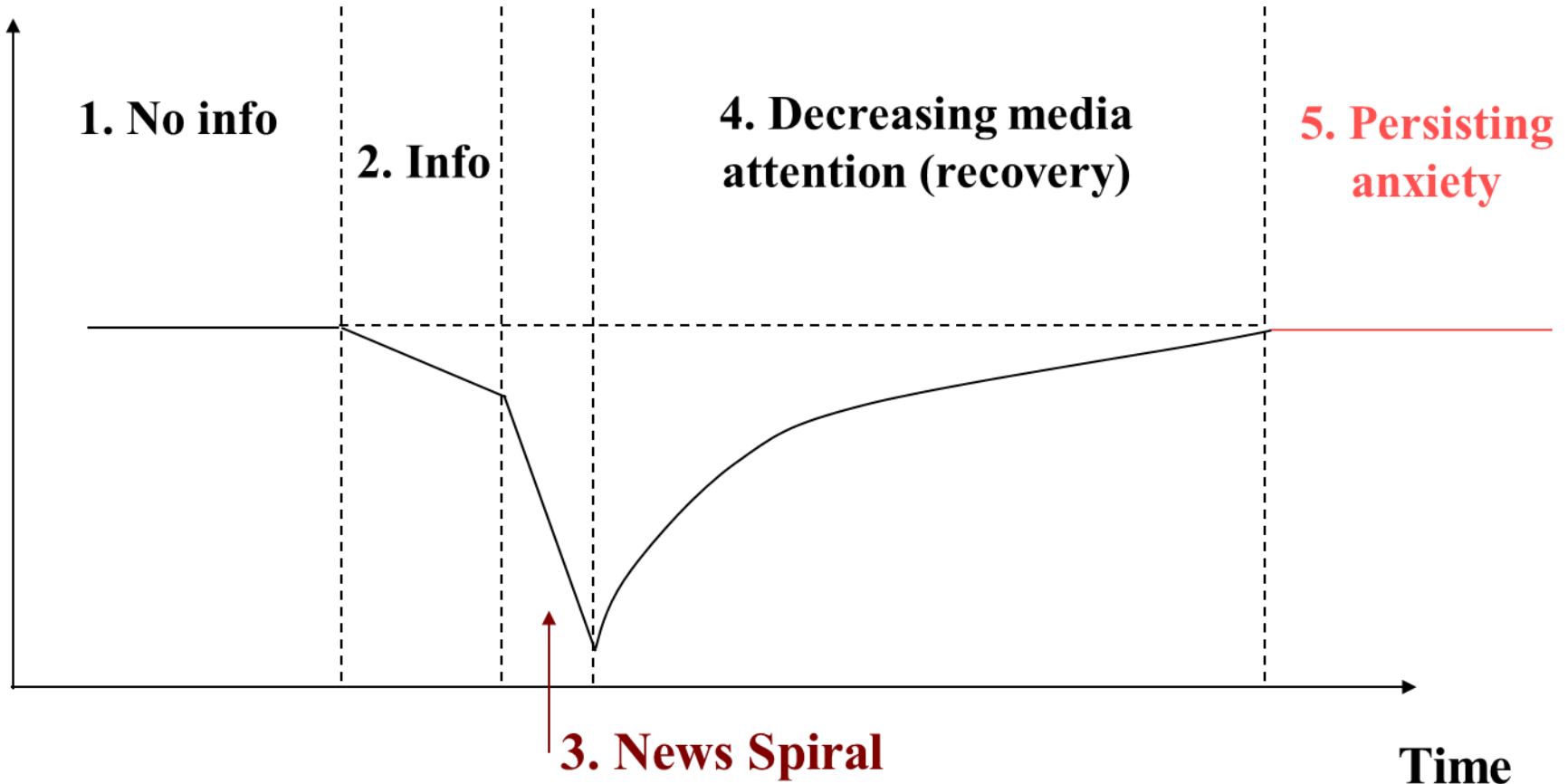
# Consumers & food scares

- “Irrational consumers”?
  - Price fall, demand also
- Changes in risk perceptions and attitudes
- Changes in consumption patterns
  - Short term → Emotional
  - Long term → Structural
- Changes in the demand for food safety information (BSE, traceability...)



# Media & social amplification of risk

## Consumption

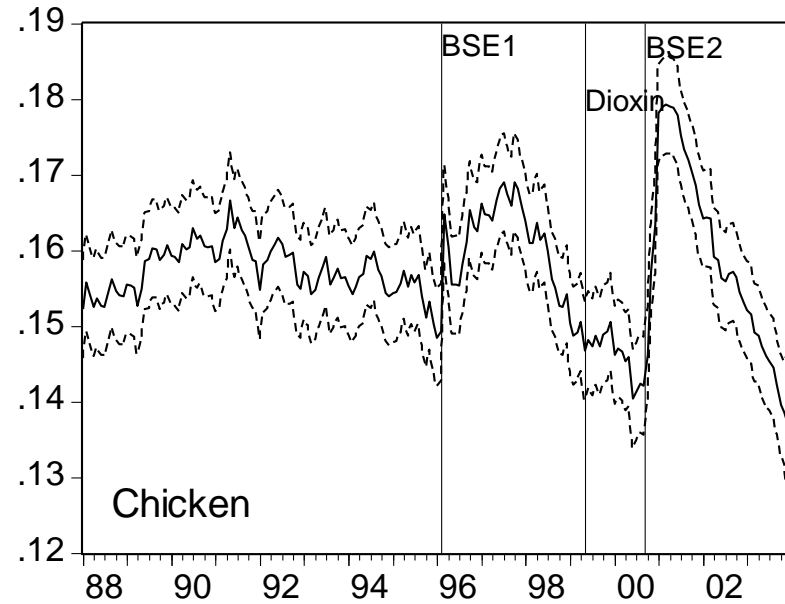
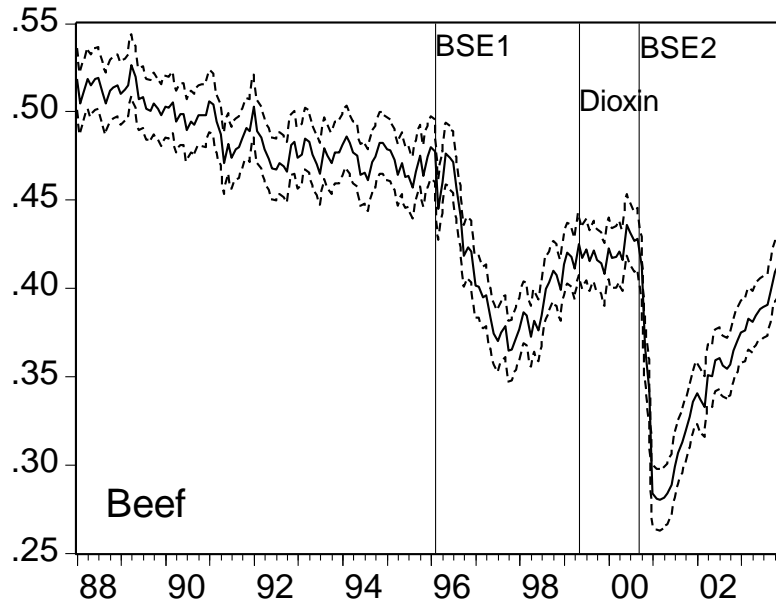


(Beardsworth and Keil, 1996)





# Multiple meat scares & demand

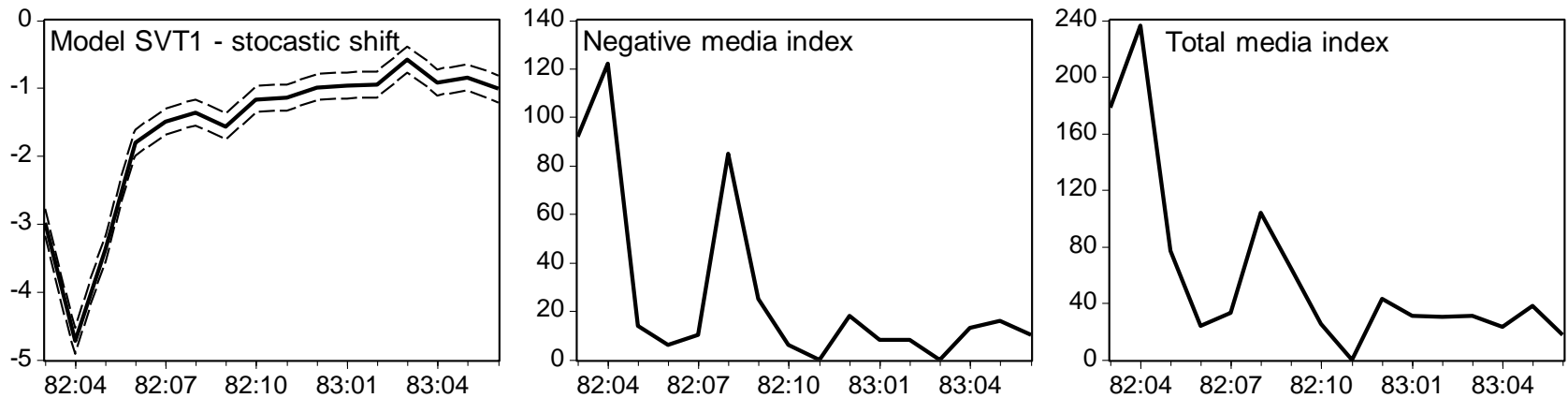


Mazzocchi et al. (2006)



# Oahu milk contamination & news

*Impact on consumption of the Oahu (Hawaii) milk contamination, 1982*



There is no such thing as “positive news” after a scare

“No news is good news” (Mazzocchi, 2006)



# The market for news

April 27, 2009 -- Updated 2228 GMT (0628 HKT)

[Make CNN Your Home Page](#)



La notizia confermata da un laboratorio tedesco

## Un gatto con il virus H5N1 in Germania **Swine flu alert level raised**

**Il primo caso di mammifero contagiato in Europa trovato su un'isola del Mar Baltico: nella zona decine di uc**

La carcassa trovata sull'isola di Ruegen, nel Mar Baltico dove si è avuto il massimo numero di uccelli selvatici infetti

## **Aviaria, trovato il virus H5N1 in un gatto morto in Germania**

Ue conferma il caso: "Resta una malattia degli uccelli e fino a oggi non ci sono indizi di mutazione del virus"

**Guardian**  
Unlimited

## **German pet owners advised to take precautions after cat dies of bird flu**

- Families told to not allow cats in bed at night
- Virus discovered for first time in Sweden

**la Repubblica.it**



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# The market for news

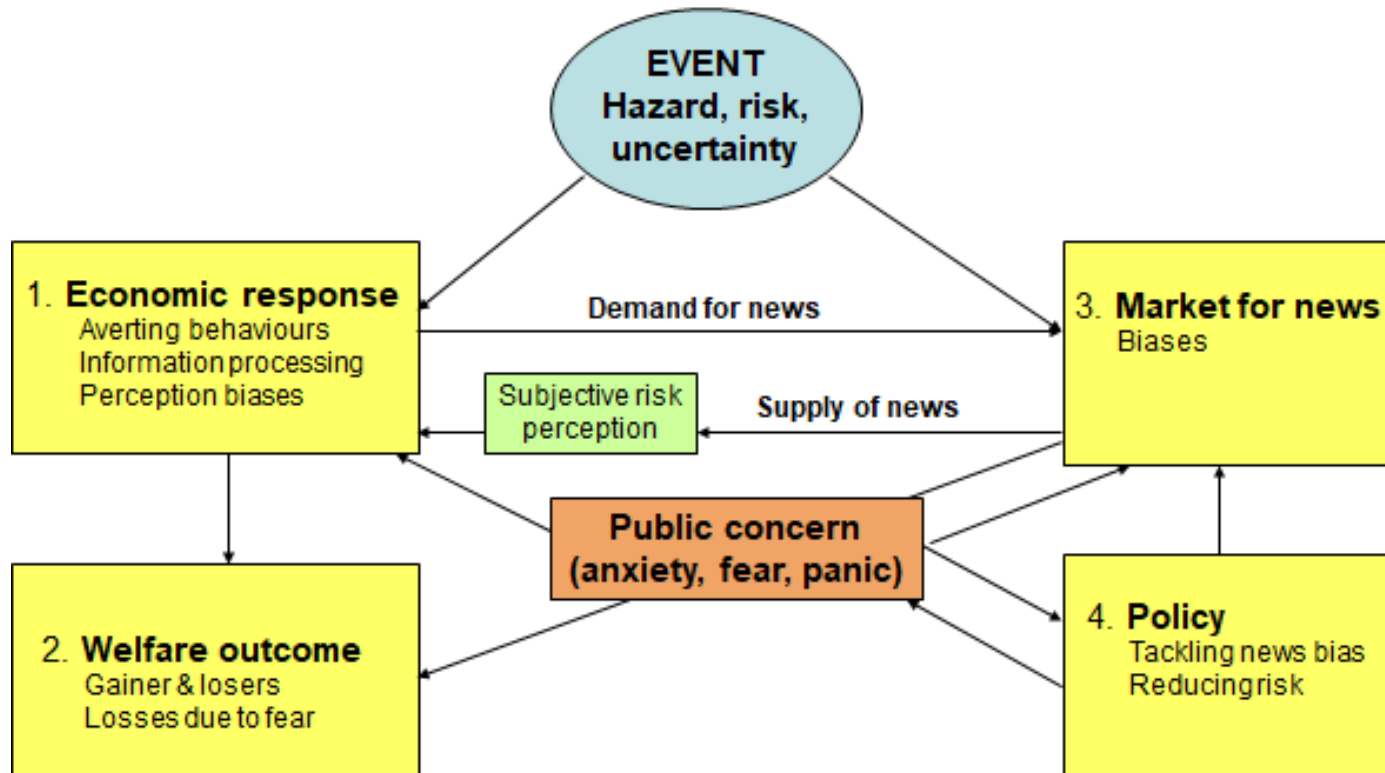
## The **demand driven bias**:

- Consumers demand news that confirm their beliefs/expectations
- Media are biased towards confirming beliefs.
- Competition does not guarantees accuracy
- Political heterogeneity vs. pessimistic biases

Mullainathan and Shleifer (2005); Gentzkow and Shapiro (2006)



# A complex scheme (conclusions)





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